

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7857

BILL NUMBER: HB 1801

NOTE PREPARED: Jan 15, 2007

BILL AMENDED:

SUBJECT: Teacher Recruitment and Retention.

FIRST AUTHOR: Rep. Porter

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: *Teacher Recruitment and Retention:* This bill establishes a Teacher Recruitment and Retention Fund, administered by the Department of Education, to: (1) attract qualified teachers to geographic areas of Indiana where a critical shortage of teachers exists; and (2) retain qualified teachers in teacher shortage areas; by providing student loan repayment assistance. It provides that as a condition of participating in the program and receiving student loan repayments, a teacher must agree to employment as a licensed teacher in a school district located in a teacher shortage area for at least five years.

Teacher Certification Incentives: The bill establishes the goal that by 2020 there will be at least one teacher who is certified by the National Board for Professional Teaching Standards (National Board) in every public school. It establishes the Teachers' National Board Certification Incentive Fund for purposes of: (1) funding stipends of \$200 per day for two days for teachers preparing for national board certification; (2) reimbursing 75% of the national board certification Fee; (3) funding stipends for National Board Certified Teachers who serve as mentors to other teachers; (4) reimbursing school corporations for the cost of paying teachers who have attained national board certification as of July 1, 2007, or thereafter an annual salary supplement of \$2,000 for the life of the certificate; and (5) reimbursing school corporations for the cost of persons who serve as substitute teachers for national board certification candidates. The bill requires a school corporation to allow a teacher pursuing national board certification at least five days of released time during the school year.

Effective Date: July 1, 2007.

Explanation of State Expenditures: *Teacher Recruitment and Retention:* This bill creates a Teacher Recruitment and Retention Fund to provide financial assistance to teachers who work in a critical shortage

area after they graduate from school. The fiscal impact depends on the number of teachers that would apply for the repayment assistance, teach in a geographical area where a critical shortage of teachers exists, and the appropriations to the fund. There are approximately 25,929 teachers with more than 1 and up to 10 years of experience.

To qualify for loan repayment assistance for student loans a teacher must;

1. hold a license to teach under IC 20-6.103;
2. complete at least one year of teaching service in a geographical area of Indiana where a critical shortage of teachers exists, as determined by the Department of Education;
3. agree in writing to the employment requirements; and
4. meet additional requirements that the Department of Education may establish.

According to the Project on Student Debt, Indiana graduates from a four-year college potentially owed an average of \$19,518 in federal loans. The maximum amount of the repayment assistance per year is the lesser of \$3,000 or 50% of the total principal and interest on the guaranteed student loan owed by the teacher. If 10% of the 25,929 teachers with more than one and up to ten years of experience apply for assistance, then applications for assistance could potentially annually total between \$3.6 M, assuming 7% interest and payments over 10 years, to \$7.7 M, if the maximum \$3,000 is paid. The teacher can receive the assistance for 5 years.

The bill does not contain an appropriation for the Teacher Recruitment and Retention Fund. The amount of assistance available would be limited to the balance in the fund. The fund may also receive gifts, grants, devises, or bequests. The fund is to be administered by the Department of Education, and expenses to administer the fund must be paid from the fund.

Teacher Certification Incentives: Summary- There are approximately 1,936 schools in Indiana, so 139 teachers would need to receive certification annually to meet the goal of having at least one teacher who is certified in every public school by the year 2020. The state in the 2004-2005 school year had 126 National Board-certified teachers and another 9 who were candidates for certification. The bill provides funding incentives to achieve these goals.

The estimated total costs for the first year, assuming 138 teachers are certified annually would be \$744,125, and the cost the second year would be \$1,151,700. The annual cost would increase by about \$407,575 a year. The annual ongoing cost of 2,045 certified teachers would be about \$6.1 M.

Background Information- A teacher would receive a stipend of \$400 to prepare for certification, 75% of the \$2,500 cost of certification, a \$600 stipend for serving as a mentor (assuming the stipend was the same as the stipend for mentors of beginning teachers), and a \$2,000 salary supplement after certification. The school is entitled to reimbursement for the cost of substitute teachers for the candidate. The certification cost per teacher is estimated to be \$2,650. This estimate assumes three costs: \$400 stipend, \$1,875 certification reimbursement (\$2,500 times 75%), and \$375 for substitutes (5 days at \$75 per day).

The cost after the teacher is certified is estimated to be \$2,975 annually. This estimate assumes three items: \$2,000 salary supplement, \$600 mentor stipend, and \$375 for substitutes.

Federal funding is available to subsidize 60 first-time candidates for \$2,000 of the \$2,500 fee and another 48 candidates at half the fee.

The estimated total costs for the first year, assuming 138 teachers are certified annually, would be \$543,075 ($60 * \$0 + 48 * \$625 + 30 * 1875 + 138 * 400 + 135 * \$2,975$), and the cost the second year would be \$953,625 ($60 * \$0 + 48 * \$625 + 30 * 1875 + 138 * 400 + 273 * \$2,975$). The annual cost would increase by about \$410,550 ($138 * \$2,975$) a year. The annual ongoing cost of 1,936 certified teachers would be about \$5.8 M ($1,936 * \$2,975$).

The bill annually appropriates an amount sufficient to fund the program from the General Fund.

Explanation of State Revenues:

Explanation of Local Expenditures: *Teacher Certification Incentives:* Local schools would provide a supplemental salary adjustment for teachers certified by the National Board for Professional Teaching Standards and provide substitute teachers for candidates. The salary adjustment of \$2,000 does not include fringe benefits, which schools would be responsible for paying. The first year, 273 teachers would be eligible for the salary adjustment, 138 new teachers and 135 current certified teachers.

Assuming a fringe benefit rate of 21%, the \$2,000 salary adjustment, and \$375 for substitutes, the cost to school corporations would be about \$763,035 ($273 \text{ teachers} * ((\$2,000 * 1.21) + \$375)$) in the first year of the program and \$1,148,745 ($411 \text{ teachers} * ((\$2,000 * 1.21) + \$375)$). The annual ongoing cost for 1,936 certified teachers would be about \$5.4 M ($1,936 \text{ teachers} * ((\$2,000 * 1.21) + \$375)$).

Explanation of Local Revenues: *Teacher Certification Incentives:* The school is entitled to reimbursement from the state for the supplemental salary and substitute teacher costs. The estimated total revenue for the first year, assuming 138 teachers are certified annually, would be \$372,375 ($\$2,375 * 135 \text{ teachers} + \$375 * 138 \text{ teachers}$), and the revenue the second year would be about \$700,125 ($\$2,375 * 273 \text{ teachers} + \$375 * 138 \text{ teachers}$). The annual revenue would increase by about \$327,750 ($138 \text{ teachers} * \$2,375$) a year. The annual ongoing revenue for 1,936 certified teachers would be about \$4.6 M ($1,936 \text{ teachers} * \$2,375$).

State Agencies Affected: Department of Education.

Local Agencies Affected: Local School Corporations.

Information Sources: Department of Education databases, www.projectonstudentdebt.com .

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